Helvar Merca Group

Annual Report 1996

Helvar Merca Group

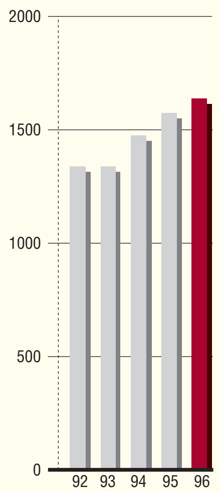
The Helvar Merca Group supplies products, services and systems designed to create significant added value for its corporate customers.
The Group is committed to being a reliable and long-term partner for its customers and suppliers, a profitable investment for its shareholders and a stimulating employer for those working within it.

Contents

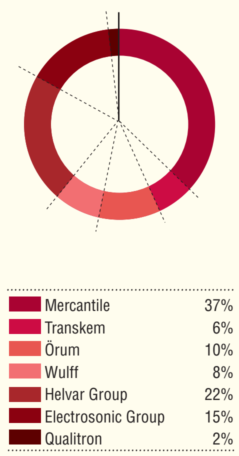
Key Figures

Helvar Merca Group	1992	1993	1994	1995	1996
Turnover, FIM million	1 331	1 334	1 484	1 571	1 626
Change over previous year, %	-5.1	0.2	11.3	6.0	3.5
Operating result, FIM million	15	57	106	102	69
Profit after financing items, FIM million	-7	11	78	81	53
Shareholders' equity and reserves, FIM million	387	395	438	491	508
Balance sheet total, FIM million	1 115	1 076	1 174	1 198	1 110
Capital employed, FIM million	957	807	870	884	819
Return on investment, %	1.5	7.0	12.1	11.5	8.5
Solidity, %	35	37	37	41	46
Gearing, %	119	106	78	62	39
Quick ratio	0.9	0.9	1.1	1.0	1.2
Investment, gross, FIM million	48	51	134	69	65
Staff on 31 December	1 454	1 254	1 254	1 466	1 432

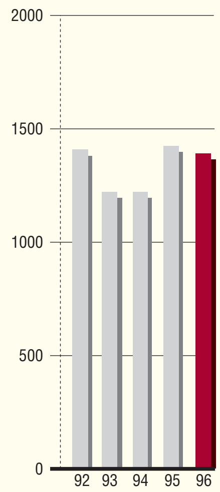
Turnover
1992 – 96, FIM million



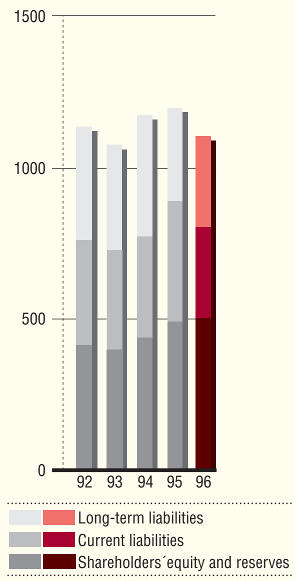
Turnover
1996, %



Staff
On 31 Dec. 1992 – 96



Financial structure
1992 – 96, FIM million



Managing Director's Review

During 1996, the turnover of the Helvar Merca Group grew by 3.5% and the result was satisfactory. The Group's trading companies showed a good profit albeit slightly down on 1995 while the result for the Group's industrial manufacturing companies was satisfactory.

Overview of 1996

In 1996, the Helvar Merca Group increased its turnover by 3.5% to FIM 1,626 million. Trading represented 55% of turnover while industrial operations accounted for 45%. Profit before extraordinary items, appropriations and tax was FIM 52,6 million, representing a fall of FIM 28,8 million from the previous year's level.

Group liquidity remained good as a result of the reduction in working capital. The equity ratio at year end was 46%, an increase of 5 percentage points over 1995. The number of employees in the Group at year end was 1,432 (1,466 in 1995).

The performance of the Group's trading companies, Oy Mercantile Ab (formerly Mercantile Technical Trade), Oy Örum Ab, Oy Wulff Ab and Oy Qualitron Ab was more or less in line with expectations. The Group's transit services company, Oy Transkem Ab, experienced a 25% drop in turnover and an unsatisfactory result. On the manufacturing side, the Helvar Electrosonic Group increased its turnover by 3% and the financial result was satisfactory.

In the summer, construction work began on production facilities and offices in Lahdesjärvi in Tampere, covering an area of 6,500 m^2. Most of the Mercantile Fastems operations together with all the Mercantile sales units for the Tampere district will be transferred to the new premises.

In September, Mercantile sold its steel and aluminium business operations to Rauta Starckjohann Oy in line with the current restructuring of the steel trade in Finland. Mercantile also opened a representative office in St. Petersburg and in December, Mercantile Eesti AS began operations in the Estonian capital, Tallinn.

Structural changes within the Group

During the autumn, the Group was restructured with the establishment of a holding company, Oy Helvar Merca Group Ab to concentrate exclusively on Group functions such as business development, finance, communications and personnel development. Business operations were divided into two groups – the Merca Division and the Helvar Electrosonic Group. The Merca Division comprises Mercantile, Transkem, Örum and Wulff, while the Helvar Electrosonic Group consists of Helvar and Electrosonic. Qualitron reports direct to the holding company. The aim of the reorganization was to clarify the business sectors within the Group, improve efficiency and simplify the evaluation of business performance.

Prospects for 1997

The overall objective of the extensive restructuring programme of recent years has been to create a Group comprised of business units that are capable of a consistently good performance in the face of growing international competition. The end result is a new Group composed of far fewer but larger businesses with greater international involvement. 1997 represents a running-in period for the new organization and it looks likely that the result for the year will remain at the 1996 level. Targets for future years will, however, need to be set much higher.

I would like to thank everyone in the Group for their good performance during the year. The Group's image and financial performance are the product of a team effort, regardless of people's position within the organization.

Christian Westerlund, Managing Director

Helvar Merca Management Group. Front row, from left to right: Philip Aminoff and Christian Westerlund. Back row, standing, from left to right: Paavo Feirikki, Mikko J. Aro and Kari Lounasmeri.

Fields of Operation

Merca Division

Oy Mercantile Ab's business operations are separated into manufacturing and technical trading. Mercantile Fastems is a major manufacturer of factory automation systems and special machine tools for the European market. Mercantile's product range includes industrial machinery, equipment, accessories and raw materials. All the products are supplied by leading manufacturers in their field. Oy Mercantile KSB Ab markets, installs and services pumps and valves and their installation and service.

Oy Transkem Ab offers storage and handling services for bulk liquid chemicals in transit through Finland mainly from Russia to third countries. Its chemical terminals are located in Hamina, at the harbour-side oil storage depot in Kotka, at Mussalo in Kotka and in Rauma.

Oy Örum Ab specializes in the wholesale supply of automotive spare parts and accessories, marketing them mainly through the independent automotive spare parts trade. The company also supplies equipment and tools for garages. Its Estonian subsidiary, A/S MG-AUTO, is engaged in the trade for spare parts and accessories in Estonia and Latvia. The company's main suppliers are manufacturers of spare parts for the automotive industry.

Oy Wulff Ab specializes in the wholesale supply and marketing of office and computer supplies for Finnish companies and distributors. Wulff sources the majority of its products direct from leading manufacturers both in Finland and abroad. Its subsidiary, Mammuti Kontoritarbe AS, markets office supplies in Estonia.

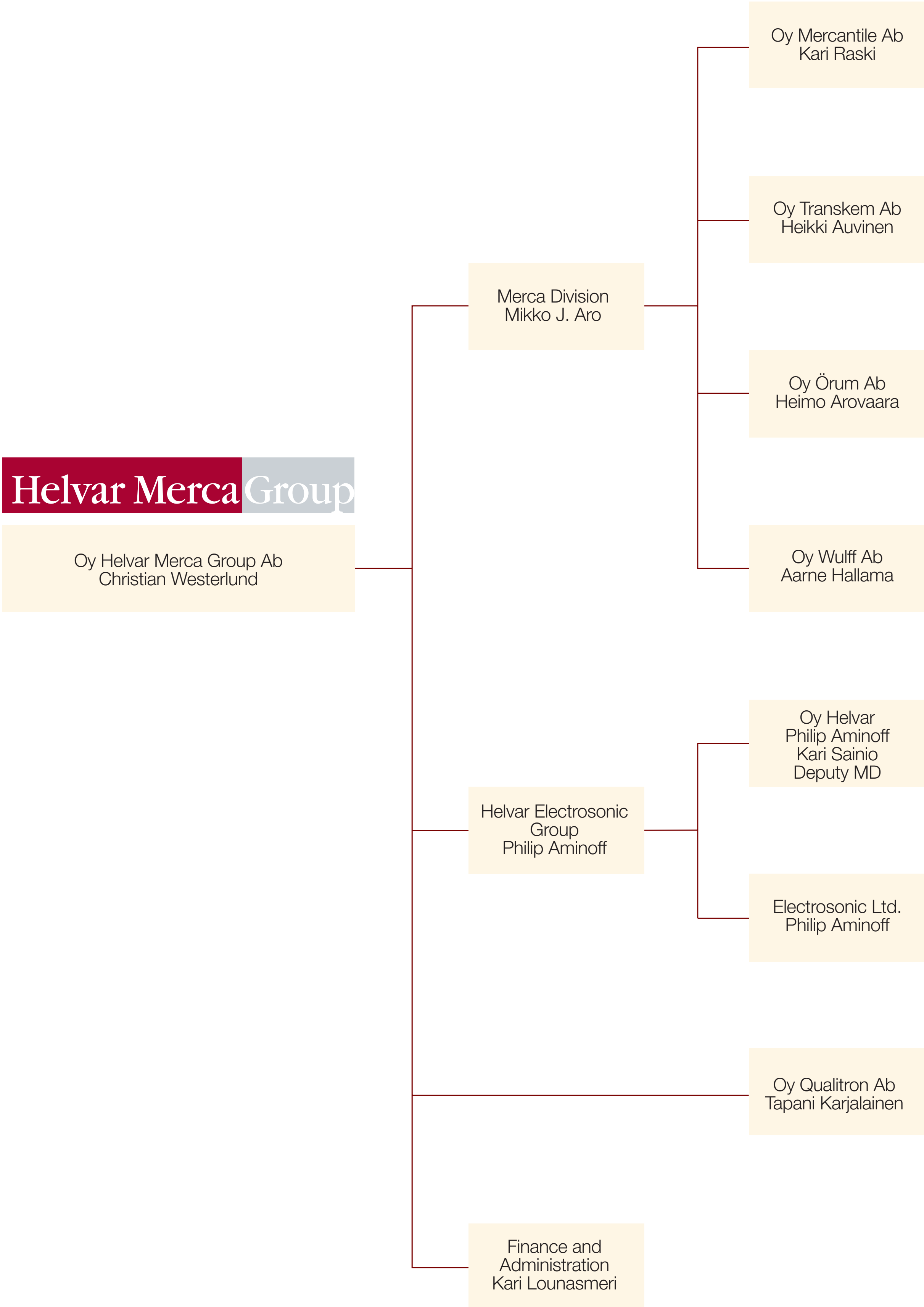
Helvar Electrosonic Group

The Helvar Electrosonic Group comprises the Helvar Group, which manufactures electromagnetic ballasts and lighting electronics, and the Electrosonic Group, which manufactures image control electronics. The products of the Helvar Electrosonic Group are sold worldwide.

Oy Qualitron Ab

Oy Qualitron Ab markets television production technology and audio-visual equipment in Finland and the CIS countries. It also designs and supplies complete systems. Sales in the CIS countries are handled by the company's representative office in Moscow.

Organization



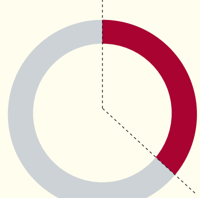
Oy Mercantile Ab

(formerly Mercantile Technical Trade)

Growth in Finland's technical trade sector was only 0.2%. The Fastems operation, acquired in autumn 1995, strengthened its position in the market. Cooperation agreements were signed with several companies that specialize in production machinery. Mercantile's turnover grew by 1% to FIM 607 million and the result was satisfactory.

Kari Raski

Share of Helvar Merca Group turnover 37%



	1996	1995	%
Turnover, FIM million	607	604	+1
Staff, 31 December	344	409	-16

The restructuring of Mercantile continued throughout 1996. In line with the chosen strategic objectives, resources were channelled into creating added value, with the emphasis on industrial customers. At the same time, the company extended its markets beyond Finland, in particular to the west.

In October, resources were strengthened by the merger of Mercantile Fastems' robotics operation with Tallberg Robotics Corp.

In September, Mercantile discontinued its stainless steel and aluminium trading operations as a logical step in the company's restructuring process.

With effect from the beginning of 1997, Mercantile Technical Trade was registered as a limited company under the name Oy Mercantile Ab.

Mercantile Fastems

Mercantile Fastems manufactures factory automation systems and imports machine tools and their peripherals. This operation is supported by a strong service organization. The result for 1996 was satisfactory.

The Fastems FMS Unit, acquired in 1995, consolidated its position as one of Europe's leading producers of flexible manufacturing systems. The most notable of these were the automation system for the Bretec Oy Crusher Factory and flexible manufacturing system exported to the Swiss pump manufacturer, Ateliers Busch S.A. An automated high storage system was also delivered to KWH Mirka Ltd, Finland.

Deliveries by the Special Machine Tools Unit included large horizontal machining centres with flexible pallet handling systems for Sisu Terminal Systems Inc. in Tampere and Valmet Power Transmission Inc. in Jyväskylä.

The PaperIQ quality control system of Valmet Automation Inc. has been well received worldwide. The Mercantile Fastems Scanner Unit has an agreement with Valmet concerning the mechanical product development and manufacture of PaperIQ scanners.

Sales of robotic systems increased not only in Finland, but also in Sweden with the first major order from Scania AB in Luleå. Robot loading systems, which are frequently included in machine tool deliveries, were installed for a number of customers including KCI Hoists Corporation and Landis & Staefa Suomi Ab.

Mercantile increased its sales of standard machine tools and peripherals further consolidating its position as market leader. One of the most notable projects was the delivery of a fourth high-speed machining centre to Megatyöstö Oy.

A separate profit centre was created from the Mercantile Fastems service operation which greatly strengthened its service contract order book during 1996. It launched a new service for moving machine tools and machining systems which covers transfers of individual machines as well as complete production units.

Fastening Equipment Department

The Fastening Equipment Department, Mercantile Pultti, specializes in the development of customized services. Customers are increasingly demanding a distribution service that delivers direct to their own production facilities and warehouses. Mercantile Pultti operates seven separate sales and service organizations within Finland which cater for a wide range of customer needs.

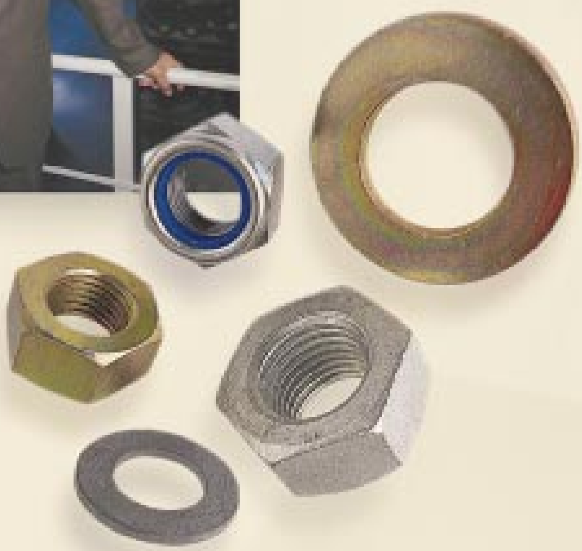
The Mercantile Eesti AS sales office and ware-

Mercantile Fastems has delivered more than 100 scanners to Valmet Automation Inc.

A turning cell comprising a Fanuc robot loading system and a Gildemeister lathe.

Finland's most extensive range of fastening equipment comprises around 30,000 items.

Mercantile Eesti, which is headed by Göran Backman, began operations in December 1996.



The Hakkila warehouse plays a key role in logistics operations.

house facilities ensure a fast and flexible delivery service for fastening equipment for customers in Estonia and the Baltic region.

The supply problem, which has plagued the European markets for fastening equipment over the last two years, eased during the second half of the year as manufacturers' delivery times began to return to normal. As delivery times shortened, excess stock was reduced, but the effect on prices was minimal. The financial result for the Fastening Equipment Department was satisfactory.

Mercantile KSB

Mercantile KSB's second year of operation supplying industrial pumps and valves was successful and in line with expectations. One of the company's largest orders in Finland was for Veitsiluodon Voima Oy's Kemi facility where it installed KSB pumps and valves together with Bopp & Reuther steam conditioning systems. New projects were also undertaken for Foster Wheeler Energia Oy (the KIVO project), Oulun Voima Oy and Nokian Lämpövoima Oy.

KSB products were widely sold in Scandinavia for use on projects involving Finnish equipment installations. Enso Española S.A. took delivery of an order for KSB pumps which also included installation and commissioning. In addition, the company placed a sizeable order for valves.

Mercantile Eesti AS also markets Mercantile KSB products in Estonia. Sales in Latvia got off to a good start during the company's first full year of operation.

The Service Unit's Yatesmeter pump performance monitoring system was well received. The system was used by municipalities such as Helsinki, Rauma and Turku to provide water authorities with a reliable assessment of pump performance. Valve maintenance was also launched as a new service.

The turnover of Mercantile KSB increased by 10% and the result was satisfactory.

Industrial Machinery and Supplies

The Machinery and Supplies for the Graphical Industry Unit sells printing presses, plates and plate production equipment made by the leading manufacturers in the industry. The most important customer groups are the packaging industry and printing houses. BASF flexible printing plates and Mitsubishi Silver Master plates retained their strong market position. The first A3 four-colour Ryobi 3304H offset press was delivered to Kirjapaino Antti Välikangas Oy in Kokkola.

The Pneumatic and Hydraulic Unit had a successful year. Their most important suppliers IMI Norgren Ltd, Knecht Filterwerke GmbH and PIAB AB launched numerous new products onto the market.

The Safety Products Unit exceeded their sales target and the Gloria fire extinguisher further strengthened its position as market leader. The unit began marketing the new Gloria Imprex Si 6 NI liquid extinguisher which is set to replace some of the decommissioned halon fire extinguishers.

The result for the department was satisfactory.

Chemical Department

Chemical industry sales were depressed during the first half of the year compared with 1995. They recovered after July, however, reaching the previous year's level. The chemical industry mainly gears distribution to retailers who cater for markets larger than Finland. Mercantile's Chemical Department has adapted its operations accordingly in response to the new challenges it faces. In addition to Finland, its sales organization now covers the Baltic and St. Petersburg regions and the department also has a partner in Sweden. During the year, new distribution agreements were signed with several companies including the German producer of raw materials for the paint industry, Hüls AG and the South Korean PET plastic producer, Kohap Inc. The department's business operations experienced positive growth and the result was satisfactory.

Prospects for 1997

Mercantile's investments in its core businesses, combined with a noticeable improvement in the order book from autumn onwards and the brighter prospects for Finnish industry both at home and abroad, are reason enough to assume that 1997 will be as successful a year as 1996.

KSB metal-reinforced plastic pumps are used in the most demanding industrial processes.

IMI Norgren's fully upgraded valve programme can be applied to all modern automation and instrumentation systems.

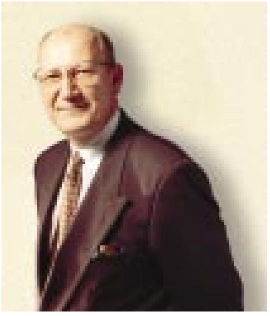
Bayferrox® pigments are used extensively in the paint and building industry.

The Gloria fire extinguisher is the clear market leader in Finland.

A four-colour Ryobi A3 offset printing press.

Oy Transkem Ab

The surplus on the world market and depressed price levels further reduced exports of Russian chemicals in 1996. The volumes handled by Transkem, specialists in transit services, were down on the previous year and company turnover fell 25% to FIM 95 million. The decrease in volume and drop in turnover produced an unsatisfactory financial result.



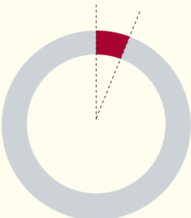
Heikki Auvinen

The climate of political and economic uncertainty which has dominated Russia for a long time has had a significant adverse effect on the country's economic development. Industrial output fell 7% and crude oil production was down for the seventh consecutive year.

The surplus on the international chemical market, which has continued for over 18 months, combined with the depressed price levels, inhibited export performance. Russia's ability to compete on export markets has been weakened by the marked increase in costs and the fixed rouble-dollar exchange rate. Poor profitability and liquidity problems in Russia resulted in the partial shutdown or even permanent closure of several chemical plants and production lines.

Transportation of liquid products via Finland was down 30%. The volume handled by Transkem was down 20% and this situation is expected to continue over the next few years. In order to accommodate the fall in the volume of business, operations have been downsized and the number of employees has been considerably reduced.

Share of Helvar Merca Group turnover 6%



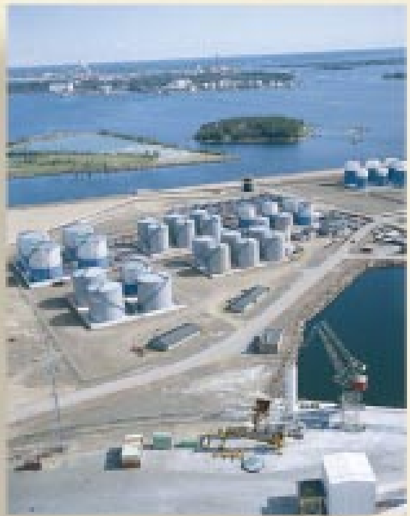
	1996	1995	%
Turnover, FIM million	95	127	-25
Staff, 31 December	62	83	-25

Prospects for 1997

It appears that the uncertainty on the international chemical markets will continue into 1997. The volume of chemicals transported via Finland is expected to remain at 1996 levels or to drop slightly. Having taken steps to adapt to the changing market conditions, Transkem remains a dynamic and efficient operation. The company will continue to work towards improving the quality and safety of chemical handling.

Transkem invests continuously in quality and safety.

Transkem's chemical terminals are located in Hamina, at the harbour-side oil storage depot in Kotka, at Mussalo in Kotka and in Rauma.



Oy Örum Ab

Sales of automotive spare parts in Finland remained at 1995 levels. However, growth in trade with neighbouring markets gave rise to a 6% increase in volume. Örum Group turnover amounted to FIM 170 million, down on the previous year by around one percentage point. The financial result remained good.

Heimo Arovaara

Sales of new passenger cars during 1996 totalled 95,830, representing a 20% rise on the previous year. The total stock of cars also rose for the first time in four years. Statistically the average age of passenger cars rose to around 10 years (approx. 9.7 years in 1995).

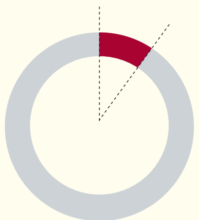
The market for brake products and exhaust systems experienced a sharp downturn at the beginning of the year. Price continued to be the key factor in dictating consumer buying behaviour.

In early spring, demand in Finland's trailer industry began to fall noticeably and, as a result, sales for the heavy duty product lines fell below the record levels of 1995.

Finland's importers in the industry continued to focus mainly on St. Petersburg and the Baltic region for their export markets. Even though European automotive spare part manufacturers have established direct links with some local entrepreneurs, Finnish wholesalers have succeeded in exploiting their own logistic capabilities and geographical location to develop the export trade.

At the beginning of September, Örum acquired the remaining shares in the Estonian company A/S MG-AUTO in which it previously had a majority shareholding. During the year under review, MG-AUTO's retail outlets outside Tallinn were sold.

Share of Helvar Merca Group turnover 10%



	1996	1995	%
Turnover, FIM million	170	172	-1
Staff, 31 December	124	115	+8

Prospects for 1997

The coming year is unlikely to bring growth to the spare parts market but Örum, with its reputation as a supplier of used-car parts at good value, is expected to retain its market position. A reduction in the size of the market will result in increased competition among Finland's importers and this will affect profitability.

As one of the leading companies in the business, Örum continues to participate actively in the development of Autolinkki, the spare part ordering system. Work to improve quality and competitiveness in line with the ISO 9002 quality system will also continue.

Örum's suppliers include car part manufacturers used by the automotive industry.

MG-AUTO's sales outlet in Tallinn.

Oy Wulff Ab

The office supplies market grew in 1996 by around 6%. This growth was almost entirely attributable to increased demand for computer products rather than for traditional office products. The numbers using the Wulff APAJA customer service system designed for major users rose sharply. The turnover of the Wulff Group was FIM 127 million, which represents a 10% increase over the 1995 figure. The Group result was satisfactory.

Aarne Hallama

A surplus in the office supplies market coupled with very stiff competition has kept prices low. In particular, the paper and computer stationery segments have been characterized by short-termism and uncertainty. Deregulation of the calendar market attracted new suppliers which resulted in a marked drop in price for the top-selling products.

During the year, Wulff concentrated on improving the quality of its customer service and enhancing its long-term competitiveness. The most notable new development was the introduction of the APAJA customer service system for major users. APAJA is an advanced service system with an electronic ordering facility. It was an immediate success enabling companies to administer their office supplies efficiently and reduce costs. EDI links and other ordering systems were also developed so that now more than 20% of the parent company's turnover is derived from orders placed electronically.

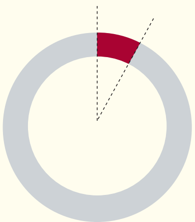
Spring 1996 saw the launching of a project to establish a quality system aimed at achieving ISO 9002 certification by autumn 1997. Wulff's ongoing cooperation with leading manufacturers in the field continued, resulting in improvements to delivery services and increased stock turnover.

Cooperation between Torkkelin Paperi Oy in Lahti and the parent company was stepped up with the emphasis on purchasing and marketing. Torkkelin Paperi retained its position as market leader in Lahti and its result was good.

During the year under review, Wulff acquired the entire share capital of the Tallinn-based company Mammuti Kontoritarbe AS which moved to new premises and significantly expanded its operations. Turnover for the year amounted to EEK 22 million but with the costs of start-up depressing the result, the company showed a slight loss for the financial year.

Wulff's business operations developed according to plan and it was able to retain its leading market position. The Group result for 1996 was satisfactory.

Share of Helvar Merca Group turnover 8%



	1996	1995	%
Turnover, FIM million	127	115	+10
Staff, 31 December	104	75	+39

Prospects for 1997

The larger players in the field are looking to expand their operations to include the Nordic markets. Increased competition will call for continuous improvement in efficiency and controlled growth in the company. In 1997, Wulff will remain committed to improving customer service which will help it to retain its market position and achieve a good financial result.

The APAJA customer service system features a bar code reader with an electronic ordering facility.

Wulff sources its products from leading suppliers both in Finland and abroad.

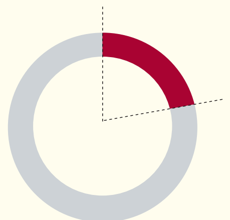
Mammuti Kontoritarbe's new premises in Tallinn.

The Helvar Group

While demand for electromagnetic ballasts was down in the first part of the year, sales of electronic ballasts rose, due in particular to sales of new products. Deliveries of lighting control systems began to recover at the end of the year. Helvar Group turnover rose 8% to FIM 369 million and the financial result was satisfactory.

Philip Aminoff

Share of Helvar Merca Group turnover 22%



	1996	1995	%
Turnover, FIM million	369	342	+8
Staff, 31 December	425	476	-11

Established in December 1921, Oy Helvar celebrated its 75th anniversary in 1996. Over the years, Helvar has grown to be one of the biggest privately held manufacturers of electrical and electronic products in Finland, with exports accounting for almost 90% of turnover. Following Mikko J. Aro's appointment as head of the Merca Division of the Helvar Merca Group with effect from 1 September 1996, Philip Aminoff was appointed Managing Director and Kari Sainio Deputy Managing Director of Oy Helvar.

Helvar is a supplier of ballasts and lighting electronics that is independent of both lamp and luminaire manufacturers. Helvar products are manufactured at three plants. Ballasts are manufactured in Finland: magnetic ballasts in Karkkila and electronic ballasts in Helsinki. Other lighting electronics, such as sensors, dimmers and controls are manufactured in Maidstone in the United Kingdom.

In the first half of 1996, weakness in the European construction industry resulted in flagging demand for ballasts and lighting electronics, particularly in Germany. At the same time, price erosion continued in the market for electronic ballasts, causing a significant shortfall in profitability. The situation improved in the autumn and the open order book at the beginning of 1997 was strong.

During the year, Helvar continued to upgrade its magnetic ballast plant in Karkkila leading to further increases in productivity. Growth in demand for Helvar magnetic ballasts was particularly strong in Poland, the Czech Republic and Hungary.

In the autumn, sales of electronic ballasts from the Helsinki factory increased significantly. Several new products from the long-awaited new generation of high-frequency controllable electronic ballasts (HFC) became available.

The Energy Management and Architectural Lighting (EMAL) Division in Dartford strengthened its position as the preferred supplier of lighting control systems to the world cruise-liner industry. The launch of Ambience 24, a comprehensive range of control panels and dimmers for medium-sized lighting control systems enabled the Division to more than double volumes for this segment.

The Helvar Group's long-term cooperation with the US-based technology enterprise, Echelon Corporation Inc., resulted in several interesting projects, particularly in Finland and Sweden. Market interest in open decentralised building control systems is clearly on the increase.

Towards the end of the year, a new energy classification scheme for ballasts was adopted by the Committee of U.E. Luminaires Manufacturers' Association, C.E.L.M.A. Helvar was actively involved in creating this standard and will work closely with the rest of the industry to promote more widespread use of energy-saving, low-loss ballasts.

Prospects for 1997

The market for magnetic ballasts is expected to remain stable whereas demand for electronic ballasts is forecast to accellerate rapidly. Helvar will participate in this growth, particularly in the area of dimmable and controllable electronic ballasts. The upward trend in sales of lighting control products manufactured in the United Kingdom is set to continue. Price erosion in the industry will continue to put pressure on margins and return on capital.

Riverside lighting on the Thames embankment in London.

The main lobby of the Pacific Place II office building in Bangkok.

IMAGINE™ lighting control systems have been supplied to numerous prestigious locations.

The daylight dependent lighting control system in Moscow's exhibition centre, Little Manege, uses Helvar FD dimmable electronic ballasts.

The Cinecittá multiplex cinema in Germany.

Electronic ballasts are produced on state-of-the-art production lines.

The Electrosonic Group

Demand from retail outlets led to a rise in sales of videowalls in Europe. Deliveries of AV systems increased with sales volumes doubling in the United States. Turnover of the Electrosonic Group grew by 21%. The result which was an improvement on the previous year, was satisfactory.

Philip Aminoff

In 1996, Electrosonic refined its business concept further, defining itself as an image control company. Product development work concentrated on Electrosonic's range of image processors and interface software. Sales of processors developed favourably and the result improved on the previous year.

During the first half of 1996, weak financial results in the retail industry delayed or reduced the scope of several major videowall roll-out programmes in the United States, resulting in a shortfall in turnover.

Elsewhere, sales of Video Display products developed favourably. Both the United Kingdom and Continental Europe saw strong growth as a result of rapidly increasing use of audio-visual communication technology in retail outlets.

In the autumn, Electrosonic launched Imagestar 31k, a compact image processor suitable for use with cube type displays. This processor can be used both with analogue display devices such as Cathode Ray Tube (CRT) and digital display devices such as Liquid Crystal Displays (LCD). The new image processor is exceptionally compact because it uses an Electrosonic-designed ASIC (Application Specific Integrated Circuit) which reduces component count and increases reliability. Outputs are frequency-doubled to reduce image flicker.

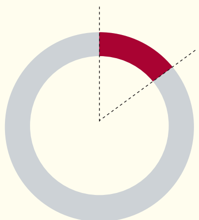
The strong recovery in Electrosonic's Systems divisions continued. In particular, Electrosonic strengthened its position as a supplier of audio-visual systems to major corporations in the leisure industry worldwide.

Incoming orders rosed sharply in the United States and the turnover of the Burbank operation doubled. In the United Kingdom, sales of leisure systems and special display systems increased steadily. Major installations in 1996 included a complete show system at the Kennedy Space Center and a large sound, light and video system in the atrium of the Trocadero, a business and entertainment centre close to London's Piccadilly Circus. The latter features a 108 screen videowall with Electrosonic PICBLOC™ image processing.

Celco, the live entertainment division of Helvar Electrosonic, grew significantly on the back of the new products launched in 1996. In the autumn, the VENTURA™, a versatile console for moving lights, was completed. It was very well received and attracted a lot of publicity at the PLASA exhibition in London and the Lighting Dimensions International Exhibition in Orlando.

During the year, some adjustments were made to Celco's distribution arrangements, notably in Germany and North America. These changes, in combination with increasing sales through Helvar's regional offices, will prepare the ground for further growth in 1997.

Share of Helvar Merca Group turnover 15%



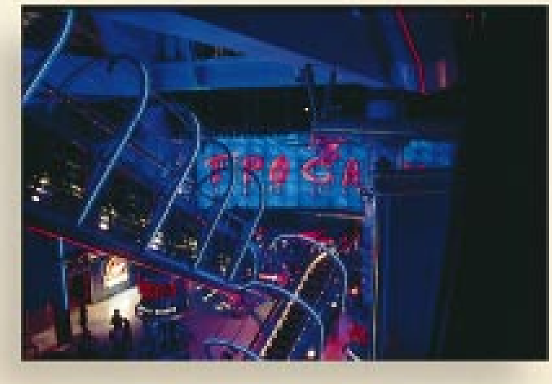
	1996	1995	%
Turnover, FIM million	239	198	+21
Staff, 31 December	350	294	+19

Prospects for 1997

There continues to be strong growth in demand for big bright images used in ambient lighting conditions where people gather together. An increasing number of high end customers are looking for ways in which they can display multiple images of very high resolution from different types of sources such as video, graphics and HDTV in real time. Electrosonic will continue its programme to develop the technology required by these customers and the first installations will be made in the first quarter of 1997.

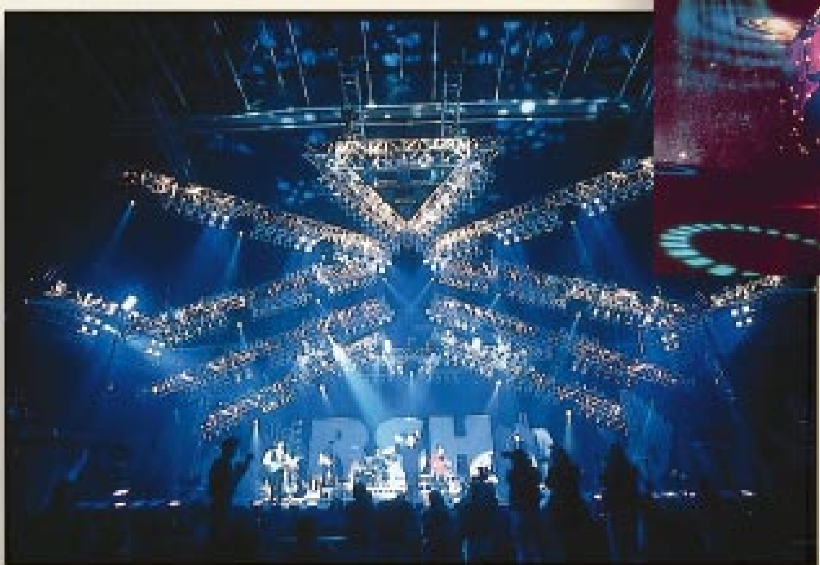
The massive launch control room set of the James Bond film Goldeneye with its 11 x 6 cube videowall with PICBLOC™ image processing.

Electrosonic supplied the newly refurbished Trocadero centre in London with a curved 108 screen videowall with PICBLOC™ image processing.



Electrosonic's EASY programming software was used at the Renault Megane Convention in Barcelona.

The complete show automation at the Nuclear Electric Visitor Centre in England is all under Electrosonic VCU control.



A Celco AVIATOR™ controlled the massive lighting rig at the RSL Awards ceremony in Kiel, Germany.

Oy Qualitron Ab

Sales in Finland exceeded expectations, but exports did not pick up until the end of the year. Qualitron's key customers, Suomen Yleisradio Ab (the Finnish Broadcasting Company) and MTV3 invested heavily in digital audio visual production technology. Turnover amounted to FIM 38 million and the result for the year was satisfactory.

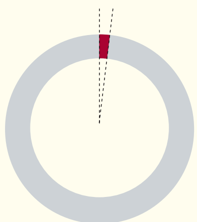
Tapani Karjalainen

During the year, Qualitron consolidated its operations following the previous year's vigorous growth. Demand from the CIS countries got off to a cautious start at the beginning of the year. Among the most notable deliveries in Finland were the digital LAWO sound mixers for the Finnish Broadcasting Company and the digital Grass Valley image mixers for MTV3 Channel.

The year's major projects comprised the commissioning of equipment for the Moscow Kremlin TV studio as well as a video system for a luxury cruise liner built by Kværner Masa-Yards Inc. for Royal Caribbean Cruise Line Inc. New projects starting up included the extension of the production facilities at Moscow's REN-TV as well as the design and delivery of a video system to be installed on the sister ship to the above-mentioned luxury cruise liner.

Qualitron also secured significant new agency deals with the Norwegian company Tandberg Television AS, which manufactures MPEG-2 terminal devices for use in the transmission of TV signals, as well as with the Italian TV and radio transmitter producer Itelco S.p.A. A move towards closer cooperation with the American Tektronix Inc. Video & Networking Division was made when Qualitron signed a distribution agreement covering Finland and the CIS countries.

Share of Helvar Merca Group turnover 2%

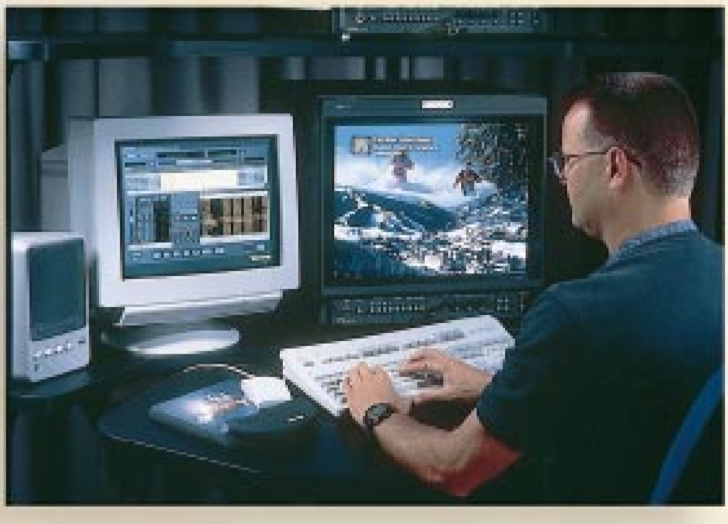


	1996	1995	%
Turnover, FIM million	38	47	-19
Staff, 31 December	23	20	+15

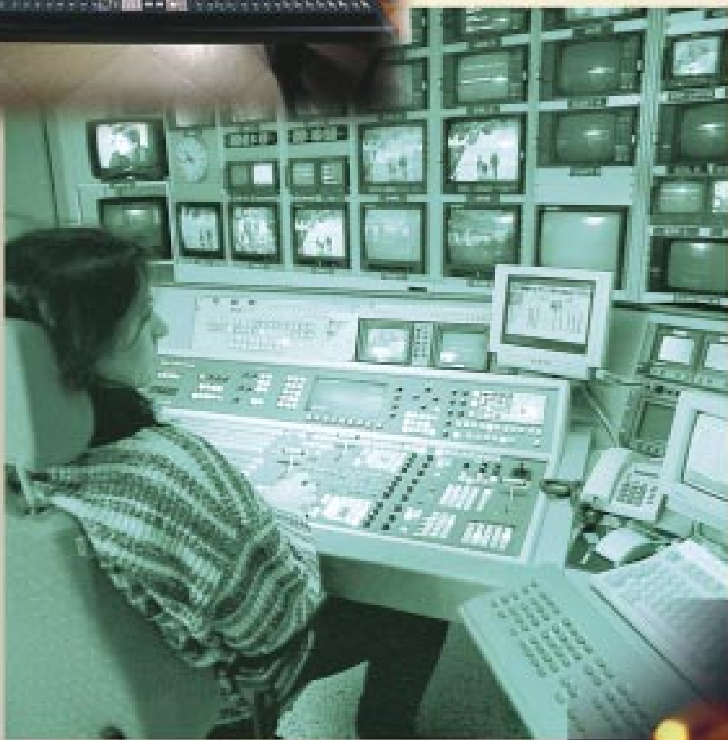
Prospects for 1997

The order book for the CIS countries is sizeable and there are plans to strengthen the retail network in the region during the year by extending it to the major cities and beyond. Demand in Finland is expected to remain high. The marketing of computer-based equipment for audio and video production will be stepped up.

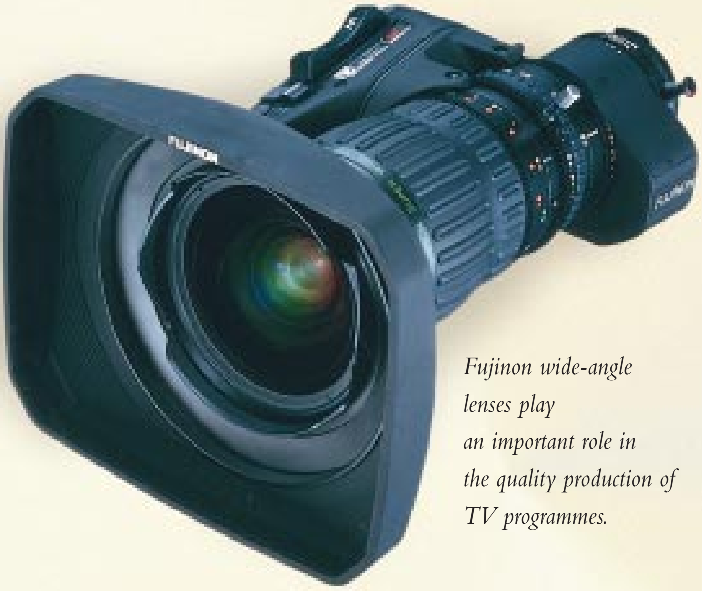
LAWO sound mixers have rapidly established a strong reputation for themselves in digital sound production technology.



Tektronix Inc's Profile recording system is controlled by Toolbox software.



A Grass Valley Model 4000 digital image mixer is used in the MTV3 News studio.



Fujinon wide-angle lenses play an important role in the quality production of TV programmes.

Board of Directors' Report

Change of name and corporate structure

Oy Mercantile Ab changed its name at the end of 1996 to Oy Helvar Merca Group Ab and at the beginning of 1997, transferred its technical trading operations to a new company, Oy Mercantile Ab. The Mercantile name has been an integral part of the technical trade and import business since 1901. The parent company, Oy Helvar Merca Group Ab, is responsible for business development, human resource development, finance and group administration. Group business operations are handled by the subsidiaries. The decision by the Board of Directors to restructure the Group in this way was due to the fact that the technical trading operations of the former parent company, Mercantile, now represent less than 40% of the Group turnover and the number of personnel in the company account for less than a quarter of the Group's total. In contrast, sales by the subsidiaries Helvar and Electrosonic, which are industrial manufacturing companies geared to export markets, together account for one third of the Group's turnover and employ more than one half of the total number of personnel.

Finland's economic development

In 1996, Finland's GNP rose by 3.2%. Growth, which was slow at the start of the year, gained momentum during the second half of the year. It was not until 1996 that the real value of GNP reached the level attained in 1989 prior to the onset of the recession.

Profit trends

Helvar Merca Group turnover rose to FIM 1,626 million, an increase on the previous year of 3.5%. Profits before reserves and tax amounted to FIM 63.1 million, down on the previous year's figure of FIM 85.7 million. The financial results of the Group companies trading in Finland fell slightly, mainly because of the fall-off in the country's economic growth. The subsidiaries, Helvar and Electrosonic saw a slight improvement in their results which were clearly positive.

Sales and acquisitions

In recent years, the Helvar Merca Group has consistently pursued its strategy of strengthening its operations in areas where it already has a firm foothold and withdrawing from operations better suited to others. The sale of the Group's steel operations to Rauta Starckjohann Oy was a decisive step in the implementation of this strategy. In October, Mercantile acquired the Tallberg Robotics Oy operation which was merged with Mercantile Fastems' robotics business.

Investments

New production and office facilities are being built in Tampere, primarily for Mercantile Fastems but also for other Group units based in the Tampere district. The new facilities will increase efficiency and boost the export of Mercantile Fastems automation systems. The Group also purchased a production facility in Maidstone, England, which is where most of Electrosonic's products and Helvar's lighting control systems are manufactured. The plant had previously been leased.

The subsidiary companies Wulff and Örum purchased majority shareholdings in their respective Estonian subsidiaries. This will result in closer cooperation and coordination between the parent companies and subsidiaries. In line with its aim of strengthening its presence in areas close to Finland, Mercantile opened an office in St. Petersburg and its subsidiary, Mercantile Eesti AS, began operations in Tallinn.

Management and personnel

During the year, the members of the Board were Dieter Aminoff (Chairman), Edward Andersson, Christian Westerlund, Stig Gustavson and Philip Aminoff as well as deputy member Thomas Aminoff. During 1996, Oy Helvar Merca Group Ab (or Oy Mercantile Ab as it then was) had an average of 343 employees compared with 266 the previous year. The Group had an average of 1,472 employees compared with the previous year's figure of 1,386. A total of FIM 2.7 million was paid out in salaries and bonuses to the parent company's Board of Directors and Managing Director and FIM 68.3 million to other employees. The Group's Boards of Directors and Managing Directors were paid a total of FIM 14.6 million in salaries and bonuses with FIM 238.2 million paid to other employees. Contributions totalling FIM 23.4 million were transferred during the year by the Group to its pension fund. The fund's liabilities for voluntary retirement pensions are fully provided for.

Future prospects

Oy Helvar Merca Group Ab is engaged in export activities and trade within Finland and with its near neighbours. Individual operations in different sectors will experience fluctuations but these are mostly expected to offset each other with the result that the Group's net profit should remain stable.

Proposal for allocation of profit

The net profit of the parent company, Oy Helvar Merca Group Ab, for the financial year, totals FIM 20,481,167.28. The Board of Directors proposes that FIM 5,613,300.00 or a dividend of FIM 700 be paid on external shares and that the remaining profit be carried forward to the profit and loss account.

The board of Directors of Helvar Merca Group. From left to right: Philip Aminoff, Edward Andersson, Thomas Aminoff, Dieter Aminoff, Stig Gustavson and Christian Westerlund.

Consolidated Profit and Loss Account

(FIM 1 000)		1.1. – 31.12.1996	1.1. – 31.12.1995
Net turnover	(1)	1 625 524	1 571 039
Other operating income		13 519	29 817
Costs	(2)	-1 506 575	-1 434 262
Depreciation	(2)	-63 237	-64 998
Operating profit		69 231	101 596
Financial income and expenses	(2)	-16 584	-20 135
Profit before extraordinary items, voluntary provisions and income taxes		52 647	81 461
Extraordinary income and charges	(5)	10 494	4 193
Profit before voluntary provisions and income taxes		63 141	85 654
Change in accelerated depreciation	(2)	-13 523	-15 030
Change in voluntary provisions		28 486	21 653
Income taxes	(2)	-23 581	-22 533
Profit before minority interests		54 523	69 744
Minority interests		-752	-1 834
Profit for the period		53 771	67 910

Consolidated Balance Sheet

(FIM 1 000)		31.12.1996		31.12.1995	
Assets					
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS					
Intangible assets					
Intangible rights		1 757		1 865	
Goodwill		424		848	
Other capitalized expenditure		11 559	13 740	12 929	15 642
Tangible assets	(7)				
Land and water		50 939		51 668	
Buildings		277 620		295 235	
Machinery and equipment		100 638		111 656	
Other tangible assets		4 899		5 338	
Advance payments and construction in progress		19 730	453 826	794	464 691
Financial assets	(6)				
Bonds and shares		67 629		64 543	
Loans receivable		1 485	69 114	1 634	66 177
			536 680		546 510
CURRENT ASSETS					
Stocks					
Raw materials and consumables		27 972		33 996	
Work in progress		22 453		12 802	
Finished products/goods		158 765		203 313	
Advance payments		6 671	215 861	15 600	265 711
Receivables	(8)				
Trade receivables		201 537		257 342	
Loan receivables		11 853		12 593	
Prepaid expenses and accrued income		18 141		17 119	
Other receivables		11 573	243 104	8 666	295 720
Cash in hand and at bank			114 702		90 496
			1 110 347		1 198 437
Liabilities					
CAPITAL AND RESERVES	(10)				
Restricted equity					
Subscribed capital		110 000		110 000	
Reserve fund		1 567		1 567	
Revaluation fund		3 566	115 133	3 566	115 133
Non-restricted equity					
Translation adjustment		1 266		-1 308	
Retained earnings		148 224		109 688	
Profit for the period		53 771	203 261	67 910	176 290
MINORITY HOLDING			5 830		5 592
PROVISIONS					
Accelerated depreciation	(11)		151 409		137 887
Voluntary provisions					
Other provisions			24 412		52 996
Obligatory provisions			7 725		3 214
CREDITORS	(12)				
Non-current					
Loans from credit institutions		2 770		17 682	
Pension loans		301 329		291 718	
Other non-current liabilities		2 261	306 360	1 623	311 023
Current					
Loans from credit institutions		5 331		81 880	
Trade payables		60 698		44 609	
Notes payables		109 495		137 471	
Accrued liabilities and deferred income		79 610		85 963	
Other current liabilities		41 083	296 217	46 379	396 302
			1 110 347		1 198 437

Parent Company's Profit and Loss Account

(FIM 1 000)		1.1. – 31.12.1996	1.1. – 31.12.1995
Net turnover	(1)	524 371	490 136
Other operating income		20 763	33 912
Costs	(2)	-511 424	-482 236
Profit from operations before depreciation		33 710	41 812
Depreciation	(2)	-10 421	-9 184
Operating profit		23 289	32 628
Financial income and expenses	(2)	-2 601	-1 815
Profit before extraordinary items, voluntary provisions and income taxes		20 688	30 813
Extraordinary income and charges	(5)	4 493	-15 701
Profit before voluntary provisions and income taxes		25 181	15 112
Change in accelerated depreciation	(2)	-17 733	-3 992
Change in voluntary provisions		19 635	3 927
Income taxes	(2)	-6 602	-9 737
Profit for the period		20 481	5 310

Parent Company's Balance Sheet

(FIM 1 000)		31.12.1996		31.12.1995	
Assets					
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS					
Intangible assets					
Other capitalized expenditure			7 011		6 931
Tangible assets	(7)				
Land and water		13 873		14 036	
Buildings		83 148		90 300	
Machinery and equipment		6 561		15 087	
Other tangible assets		19 674	123 256	–	119 423
Financial assets	(6)				
Shares in subsidiaries		153 126		152 898	
Bonds and shares		62 019	215 145	58 957	211 855
			345 412		338 209
CURRENT ASSETS					
Stocks					
Raw materials and consumables		4 102		5 174	
Work in progress		11 513		5 450	
Finished products/goods		47 662		104 307	
Advance payments		1 428	64 705	12 295	127 226
Receivables	(8)				
Trade receivables		38 101		80 673	
Loan receivables		142 948		61 126	
Prepaid expenses and accrued income		8 127		24 150	
Other receivables		–	189 176	4 024	169 973
Cash in hand and at bank			84 945		65 127
			684 238		700 535
Liabilities					
CAPITAL AND RESERVES	(10)				
Restricted equity					
Subscribed capital		110 000		110 000	
Reserve fund		1 500	111 500	1 500	111 500
Non-restricted equity					
Retained earnings		102 197		124 953	
Profit for the period		20 481	122 678	5 310	130 263
PROVISIONS					
Accelerated depreciation	(11)		68 099		50 366
Voluntary provisions					
Other provisions			7 374		27 009
Obligatory provisions			3 244		–
CREDITORS	(12)				
Non-current					
Loans from credit institutions		1 463		1 500	
Pension loans		198 039	199 502	188 740	190 240
Current					
Loans from credit institutions		857		3 617	
Trade payables		21 497		35 622	
Notes payables		30 316		67 376	
Accrued liabilities		36 076		44 288	
Other current liabilities		83 095	171 841	40 254	191 157
			684 238		700 535

Funds Statement

(FIM 1 000)	Group 1996	1995	Parent company 1996	1995
SOURCE OF FUNDS				
Internal financing				
Net result in the Profit and Loss Account	53 771	67 910	20 481	5 310
Depreciation	63 237	64 997	10 420	9 183
Changes in untaxed reserves	-10 550	1 075	1 342	3 974
Total internal financing	106 458	133 982	32 243	18 467
Reduction in fixed assets	11 936	67 835	7 563	47 814
Increase in long-term financing	–	–	9 263	–
	118 394	201 817	49 069	66 281
APPLICATION OF FUNDS				
Investments in fixed assets	65 343	69 223	25 186	19 065
Decrease in long-term financing	3 026	90 021	–	1 625
Translation adjustment in shareholders' equity	-1 266	1 287	–	–
Change in minority holding	-238	-2 971	–	–
Redemption of own shares	–	14 829	–	14 829
Dividends distributed	28 066	2 566	28 066	2 566
	94 931	174 955	53 252	38 085
Change in working capital	23 463	26 862	-4 183	28 196
	118 394	201 817	49 069	66 281
CHANGE IN WORKING CAPITAL				
Cash and bank accounts	24 207	-482	19 819	20 256
Short-term receivables	-52 617	32 543	19 203	-92 791
Inventories	-49 850	55 744	-62 521	42 512
Current liabilities	101 723	-60 943	19 316	58 219
	23 463	26 862	-4 183	28 196
Working capital on 1 January	253 987	227 125	171 168	142 972
Working capital on 31 December	277 450	253 987	166 985	171 168

Notes to the Financial Statements

Accounting principles for the consolidated accounts

The consolidated accounts have been prepared in accordance with the acquisition cost method. The consolidated financial statements include the Parent Company, Oy Helvar Merca Group Ab, and those companies in which Oy Helvar Merca Group Ab directly or indirectly holds more than 50% of the voting rights of all the shares. The real estate company, Kiinteistö Oy Toivikkeenrinne, serving staff housing needs, is not included in the consolidated financial statements. The financial statements of Group companies operating outside Finland have been converted and grouped according to the Finnish Accounting Act. The translation of the Balance Sheet into Finnmarks has been effected according to the Bank of Finland's average rates on the date of the closing of the accounts and the financial statements according to the average rates for the year.

Foreign currency-denominated items

Receivables and liabilities in the Balance Sheet on the date of the closing of the accounts have been translated into Finnmarks at the rates prevailing on the date of the closing of the accounts. The hedging instruments of the open foreign currency-denominated items have been valued at their current value taking into account the interest rate factors.

Inventories

Inventories in the consolidated accounts are valued at their acquisition cost, which includes in addition to the direct costs part of the indirect costs of acquisition and production.

Depreciation principles

Fixed assets are entered in the Balance Sheet as depreciation according to plan reduced to the direct acquisition cost. Depreciation according to plan has been calculated according to the economic life of fixed assets as straight-line depreciation on the original acquisition price.

Depreciation periods according to plan are:

Other long-term expenses	5 - 10 years
Buildings and constructions	20 - 40 years
Machinery and equipment	3 - 10 years
Goodwill	5 years

Compulsory reserves

Items are entered in the Balance Sheet as compulsory reserves which have been pledged by agreement or otherwise but which have not yet been realized. Changes in them have been included in the financial statements.

(FIM 1 000)	Group 1996	Group 1995	Parent company 1996	Parent company 1995
1 SALES BY BUSINESS AREA				
Trading	801 888	832 857	421 933	490 136
Service	93 596	126 677	-	-
Production	730 040	611 505	102 437	-
	1 625 524	1 571 039	524 370	490 136
SALES BY MARKET AREA				
Finland	1 037 035	1 033 497	524 370	490 136
Other Europe	425 741	352 084	-	-
Other countries	162 748	185 458	-	-
	1 625 524	1 571 039	524 370	490 136
2 SPECIFICATION OF PROFIT AND LOSS ACCOUNT				
Expenses				
Materials and supplies	951 048	1 044 752	311 303	406 135
Change in inventories	46 903	-40 115	51 654	-25 944
Personnel costs	306 549	258 225	87 935	60 469
Rental costs	22 297	18 576	8 945	5 865
Expenses	179 777	152 824	51 587	35 712
	1 506 574	1 434 262	511 424	482 237
Depreciation according to plan				
Intangible rights	571	537	-	-
Other capitalized expenditure	3 077	2 709	1 686	985
Buildings	25 281	26 209	5 327	5 044
Machinery and equipment	31 383	28 157	3 408	3 154
Other tangible assets	978	1 061	-	-
Goodwill	1 946	6 324	-	-
	63 236	64 997	10 421	9 183
Financial income and expenses				
Dividends received	73	253	50	-
Interest income from long-term financial assets	426	340	-	290
Interest income from short-term financial assets	3 088	5 902	7 937	12 795
Other financial income	543	588	408	403
Exchange gains and losses	439	-28	2 291	-1 181
Interest expenses	-19 749	-24 473	-12 857	-13 517
Other financial expenses	-1 404	-2 091	-430	-604
Depreciation on investments	-	-625	-	-
	-16 584	-20 134	-2 601	-1 814
Extraordinary income and expenses	10 493	4 194	10 494	19 005
Extraordinary income	-	-	-6 000	-34 706
Extraordinary expenses	10 493	4 194	4 494	-15 701

(FIM 1 000)	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Depreciation difference				
Construction in progress	-18 813	-	-18 813	-
Intangible rights	175	160	-	-
Other long-term expenses	-792	-195	-848	-455
Buildings	5 943	-3 108	2 961	-2 163
Machinery and equipment	-315	-12 100	-1 032	-1 374
Other tangible assets	280	213	-	-
	-13 522	-15 030	-17 732	-3 992
Direct taxes				
For the financial year	-22 080	-22 598	-5 450	-9 999
For previous years	-1 501	66	-1 153	262
	-23 581	-22 532	-6 603	-9 737
3 PERSONNEL EXPENSES				
Wages and salaries	250 924	225 350	70 743	53 390
Fringe benefits	3 063	3 177	1 199	1 210
Pension costs	27 263	6 307	8 518	-
Other personnel costs	28 363	26 565	8 674	7 079
	309 613	261 399	89 134	61 679
4 FINANCIAL INCOME AND EXPENSES WITHIN THE GROUP				
Interest income			4 167	8 732
Interest expenses			1 324	2 456
5 EXTRAORDINARY INCOME AND EXPENSE				
Extraordinary income				
Gains on sales of fixed assets	494	4 113	494	-
Profits of mergers	-	-	-	5
Group contributions received	-	-	-	19 000
Other income	10 000	80	10 000	-
	10 494	4 193	10 494	19 005
Extraordinary expenses				
Losses of mergers	-	-	-	34 706
Group contributions paid	-	-	6 000	-
	-	-	6 000	34 706

6 BREAKDOWN OF PORTFOLIO

Group companies Company	Share % Parent company	Share % Group	Group ownership of equity	Number of shares	Nominal value of shares	Book value of shares
Oy Helvar	100	100	135 697	400 000	40 000	29 558
Oy Transkem Ab	100	100	72 865	138 750	62 437	62 437
Oy Wulff Ab	100	100	17 478	500	5 000	6 931
Oy Örum Ab	100	100	39 025	1 800 000	18 000	46 640
Kiinteistö Oy Keskuojankatu 12	100	100	477	100	500	500
Kiinteistö Oy Ahertajankatu 6	100	100	313	100	60	2 032
Oy Mercantile KSB Ab	80	80	9 535	4 800	4 800	4 800
Oy Qualitron Ab	6	55	3 384	60	60	183
Oy Mercantile Ab	100	100	15	15	15	15
Oy Merca Trading Ab	100	100	15	15	15	15
Mercantile Eesti AS	100	100	0	3	0	0
Wittler Service Oy	100	100	18	300	15	15
						153 126
Indirectly owned subsidiaries						
Helvar Ltd.		100	2 300	100	1 967	5 816
Helvar GmbH		100	3 410	1 200	3 586	4 371
Helvar AB		100	2 617	5 000	337	2 998
Helvar S.r.L.		100	717	2 000	608	687
Electrosonic Holdings Ltd.		96	13 907	10 237 798	80 561	49 529
Electrosonic Ltd.		100	15 357	8 949 500	70 424	70 424
Electrocue Ltd.		100	4 758	100	1	1
Electrosonic Systems Inc.		100	4 599	310 000	1 515	1 995
Multivision Electrosonic Ltd.		100	-63	302 491	1 025	0
Celco Ltd.		100	1 704	7 200	56	1 700
Electrosonic NSW Pty Ltd.		100	-1 036	850 000	3 143	0
Dartford Invest B.V.		100	40 395	11 060	29 446	37 637
Svenska AB Mercantile		100	607	75 000	506	607
Kiinteistö Oy Toivikkeenrinne		99	9	99	10	9
Mammuti Kontoritarbe AS		100	228	49	186	1 220
Torkkelin Paperi Oy		100	2 022	42 600	426	1 455
A/S MG-AUTO		100	613	920	340	3 125

(FIM 1 000)

Other shares Company	Number of shares	Book value of shares
Kiinteistö Oy Luna	484	46 838
Kiinteistö Oy Viljatie 2	2 637	8 657
Kiinteistö Oy Malmintori	40	1 260
As. Oy Nordgolf Houses	1	852
Nordgolf Oy	4	114
Helsingin Puhelinyhdistys	187	391
Vakuutus Oy Garantia	120	500
As. Oy Pohjoisranta 10	49	3 114
Other shares		293
		62 019

(FIM 1 000)	Group 1996	Group 1995	Parent company 1996	Parent company 1995
7 TAXATION VALUES OF FIXED ASSETS				
Land and water	26 427	34 725	12 367	22 504
Buildings	158 863	158 170	57 771	50 148
Subsidiaries	-	-	221 603	165 346
Other shares	57 116	52 178	49 515	46 506
	242 406	245 073	341 256	284 504
Book value is used, if there is no taxation value available.				
8 RECEIVABLES FROM GROUP COMPANIES				
Accounts receivable			1 351	729
Loans receivable			132 506	50 198
Prepaid expenses and deferred income			4 031	20 368
			137 888	71 295
9 LOANS TO MANAGEMENT AND SHAREHOLDERS				
Granted loans to management and shareholders	3 388	1 464	3 253	1 329
Interest on the loans exceeds the base rate of Bank of Finland.				
10 SHAREHOLDERS' EQUITY				
Share capital				
Redemption of own 1 981 shares	21 791	21 791	21 791	21 791
Outstanding 8 019 shares	88 209	88 209	88 209	88 209
Share capital	110 000	110 000	110 000	110 000
Restricted equity				
Share capital 1 Jan. and 31 Dec.	110 000	110 000	110 000	110 000
Reserve fund 1 Jan.	1 567	1 565	1 500	1 500
Translation adjustment in shareholders' equity	-	2	-	-
Reserve fund 31 Dec.	1 567	1 567	1 500	1 500
Revaluation fund 1 Jan. and 31 Dec.	3 566	3 566	-	-
Restricted equity	115 133	115 133	111 500	111 500
Non-restricted equity				
Distributable fund 1 Jan.	-	50 675	-	70 000
Transfer to retained earnings	-	-50 675	-	-70 000
Retained earnings	176 291	76 391	130 264	72 349
Transfer from distributable fund	-	50 675	-	70 000
Redemption of own shares	-	-14 829	-	-14 829
Dividends distributed	-28 066	-2 566	-28 066	-2 566
Translation adjustment in shareholders' equity	1 266	-1 290	-	-
Profit for the year	53 771	67 910	20 481	5 310
Non-restricted equity 31 Dec.	203 262	176 291	122 679	130 264

(FIM 1 000)	Group 1996	1995	Parent company 1996	1995
11 DEPRECIATION ACCORDING TO PLAN				
Construction in progress	18 813	–	18 813	–
Intangible rights	-90	91	–	–
Other long-term expenditure	3 859	3 066	2 855	2 007
Buildings	65 916	71 859	40 074	43 035
Machinery and equipment	62 505	62 189	6 356	5 324
Other tangible assets	400	681	–	–
	151 403	137 886	68 098	50 366
12 LIABILITIES				
Liabilities to mature after five years or later				
Loans from banks	176	161	–	–
Pension loans	299 679	290 380	198 039	188 740
Other long-term liabilities	–	700	–	–
	299 855	291 241	198 039	188 740
Loans from Group Companies				
Accounts payable			790	725
Accrued expenses and deferred income			6 552	8 554
Other current liabilities			61 831	13 011
			69 173	22 290
13 CONTINGENT LIABILITIES				
Collateral for own loans				
Pledges	56 043	46 842	55 495	46 842
Mortgage on real estate	65 065	120 747	20 550	20 550
Collateral for other own group commitments				
Guarantees	–	–	80 504	73 338
Collateral for the management				
Guarantees	–	57	–	57
Collateral for other own commitments				
Guarantees	850	697	–	–
Other collaterals				
Leasing liability	7 874	2 026	6 853	990
Repurchase liability	2 622	3 938	2 303	3 884
Pension liability	10 361	12 466	8 072	8 425
Other liability	2 489	1 515	1 777	1 515
Total				
Pledges	56 043	46 842	55 495	46 842
Mortgage on real estate	65 065	120 747	20 550	20 550
Guarantees	850	754	80 504	73 395
Pension liability	10 361	12 466	8 072	8 425
Other liability	12 985	7 479	10 933	6 389
	145 304	188 288	175 554	155 601

Helsinki, 28 February 1997

Dieter Aminoff   Edward Andersson   Christian Westerlund

Stig Gustavson   Philip Aminoff

Auditors' Report

To the shareholders of
Oy Helvar Merca Group Ab

We have audited the accounting records, the financial statements and the administration of Oy Helvar Merca Group (formerly Oy Mercantile Ab) for the financial year 1996. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on the administration.

We have conducted the audit in accordance with generally accepted Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as prescribed in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements including the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the financial year audited by us. The Board of Directors, proposal for allocation of profit is in compliance with the Companies Act.

Helsinki, 17 March 1997

Joe Sundholm
Authorized Public
Accountant

Kim Karhu
Authorized Public
Accountant

Addresses

HOLDING COMPANY

OY HELVAR MERCA GROUP AB
Purotie 3 A
FIN-00380 Helsinki
P.O. Box 169, FIN-00381 Helsinki
Tel: +358 9 56 541
Fax: +358 9 5654 2300

SUBSIDIARIES IN FINLAND

OY HELVAR
Purotie 3
FIN-00380 Helsinki
P.O. Box 55, FIN-00381 Helsinki
Tel: +358 9 56 541
Fax: +358 9 5654 2600

Factory in Karkkila
FIN-03600 Karkkila
Tel: +358 9 225 8324
Fax: +358 9 225 8336

OY MERCANTILE AB
Viljatie 2 B
FIN-00700 Helsinki
P.O. Box 129, FIN-00701 Helsinki
Tel: +358 9 34 501
Fax: +358 9 3450 5368

Hakkila centre of operations and warehouses
Hakkilankaari 2
FIN-01380 Vantaa
Tel: +358 9 34 501
Fax: +358 9 873 3662

OY MERCANTILE AB FASTEMS
Linnavuorentie 12
FIN-37240 Linnavuori
Tel: +358 3 341 7511
Fax: +358 3 341 7550

From 1 June 1997
Tuotekatu 4
FIN-33840 Tampere
Tel: +358 3 268 5111
Fax: + 358 3 268 5000

OY MERCANTILE KSB AB
Viljatie 2 B
FIN-00700 Helsinki
P.O. Box 129, FIN-00701 Helsinki
Tel: +358 9 34 501
Fax: +358 9 3450 5682

OY QUALITRON AB
Vitikka 4
FIN-02630 Espoo
Tel: +358 9 502 941
Fax: +358 9 502 9444

TORKKELIN PAPERI OY
Vesijärvenkatu 15
FIN-15140 Lahti
Tel: +358 3 751 5115
Fax: +358 3 752 5119

OY TRANSKEM AB
Viljatie 2 B
FIN-00700 Helsinki
P.O. Box 12, FIN-00701 Helsinki
Tel: +358 9 3450 5306
Fax: +358 9 3450 5686

OY WULFF AB
Manttaalitie 12
FIN-01530 Vantaa
P.O. Box 84, FIN-01531 Vantaa
Tel: +358 9 87 041
Fax: +358 9 8704 6300

OY ÖRUM AB
Läntinen teollisuuskatu 2
FIN-02920 Espoo
P.O. Box 14, FIN-02921 Espoo
Tel: +358 9 852 041
Fax: +358 9 8520 4560

SUBSIDIARIES ABROAD

CELCO
Hawley Mill, Hawley Road
Dartford, Kent DA2 7SY
United Kingdom
Tel: +44 1322 28 22 18
Fax: +44 1322 28 22 92

ELECTROSONIC LTD.
Hawley Mill, Hawley Road
Dartford, Kent DA2 7SY
United Kingdom
Tel: +44 1322 22 22 11
Fax: +44 1322 28 22 82

ELECTROSONIC SYSTEMS INC.
10320 Bren Road East
Minneapolis, MN 55343
USA
Tel: +1 612 931 7500
Fax: +1 612 938 9311

ELECTROSONIC SYSTEMS INC.
3320 N. San Fernando Blvd
Burbank, CA 91504
USA
Tel: +1 818 566 3045
Fax: +1 818 566 4923

HELVAR AB
Ekbacksvägen 20
S-168 69 Bromma, Stockholm
Sweden
Tel: +46 8 634 4030
Fax: +46 8 252 465

HELVAR ELECTROSONIC
Regional Office
603-605 Wilson House
19-27 Wyndham Street
Central Hong Kong
Tel: +852 2525 1828
Fax: +852 2877 5811

HELVAR GMBH
Carl-Zeiss-Strasse 12
D-63322 Rödermark
Germany
Tel: +49 6074 92090
Fax: +49 6074 920923

HELVAR LTD.
Hawley Mill, Hawley Road
Dartford, Kent DA2 7SY
United Kingdom
Tel: +44 1322 282 258
Fax: +44 1322 282 259

HELVAR S.R.L.
Via W. Tobagi 26/1
I-20068 Peschiera Borremeo, Milan
Italy
Tel: +39 2 55 30 10 33
Fax: +39 2 55 30 10 32

MAMMUTI KONTORITARBE AS
Laki 12
EE-0006 Tallinn
Estonia
Tel: +372 6 563 777
Fax: +372 6 563 770

MERCANTILE EESTI AS
Kadaka tee 72 A
EE-0026 Tallinn
Estonia
Tel: +372 6 502 962
Fax: +372 6 502 966

OY MERCANTILE AB FASTEMS
Fabriksgatan 10
S-553 18 Jönköping
Sweden
Tel: +46 36 160 450
Fax: +46 36 167 470

OY MERCANTILE AB FASTEMS
Heilbronner Strasse 23
D-73037 Göppingen
Germany
Tel: +49 7161 77365
Fax: +49 7161 23147

A/S MG-AUTO
Kadaka tee 72 A
EE-0026 Tallinn
Estonia
Tel: +372 6 502 878
Fax: +372 6 502 881

MULTIVISION ELECTROSONIC LTD.
94 Scarsdale Road, North York
Ontario M3B 2R7
Canada
Tel: +1 416 449 1700
Fax: +1 416 449 5131